

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
VINTON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

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VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Sue Gates	President	2013
Robert Levis	Vice President	2013
Todd Wiley	Board Member (Resigned November 2012)	2013
Tim Bird	Board Member	2015
Angela Hazen	Board Member	2015
Megan Rickels	Board Member	2015
Brenda Bartz	Board Member	2015
Mike Timmermans	Board Member (Appointed December 2012)	2013
<u>School Officials</u>		
Mary Jo Hainstock	Superintendent	2013
Brenda Barkdoll	District Secretary/Treasurer and Business Manager	2013
Mark Mossman	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Vinton-Shellsburg Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Vinton-Shellsburg Community School District, Vinton-Shellsburg Iowa, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Vinton-Shellsburg Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison on pages 7 through 15 and 50 through 51 be represented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Vinton-Shellsburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2013 on our consideration of Vinton-Shellsburg Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Vinton-Shellsburg Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
October 22, 2013

Hunt & Associates, P.C.

VINTON-SHELLSBURG CSD
MANAGEMENT'S DISCUSSION AND ANALYSIS
06/30/13

This section of the Vinton-Shellsburg Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2013. This analysis will focus on the District's financial performance as a whole for the fiscal year 2013.

Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- ◆ General Fund revenue decreased from \$17,194,388 in fiscal year 2012 to \$16,602,393 in fiscal year 2013 while General Fund expenditures increased from \$15,767,041 in fiscal year 2012 to \$16,122,413 in fiscal year 2013.
- ◆ The decrease in General Fund revenues was attributable to a decrease in student enrollment and subsequent state and local funding
- ◆ The District increased its solvency ratio and unspent spending authority.
- ◆ The District increased its expenditures primarily because of increases in employee benefits and special education costs.

◆ **Overview of Financial Statements**

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for governmental funds explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- ◆ The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food service.
- ◆ The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

District Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

- ◆ Over time, increases or decreases in the District's net position are an indicator of whether the District's financial position is improving or deteriorating, respectively.
- ◆ To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and facilities and student enrollment trends.

In the District-wide financial statements, the District's activities are divided into two categories:

- ◆ **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finances most of these activities.
- ◆ **Business-type activities:** The District charges fees to help cover the cost of certain services it provides. The District school nutrition program would be included here.

Fund Financial Statements

The fund financial statements, included with this report, provide more detailed information about the District's funds, focusing on its most significant or major funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Funds do not focus on the District as a whole.

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

Vinton-Shellsburg Community School District has three types of funds:

- ◆ **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - ◆ The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.
- ◆ **Proprietary funds:** Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - ◆ The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flow. The District currently has two enterprise funds, the school nutrition program and the child care program.
- ◆ **Fiduciary funds:** The District is trustee, or fiduciary, for assets that belong to others. These funds include Private - purpose Trust and Agency funds.
 - ◆ **Private-Purpose Trust Fund:** The District accounts for outside donations for specific purposes in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net position: Figure A-1 provides a summary of the District's net position for the year ended June 30, 2013. The districts combined net position was higher on June 30, 2013 than they were the year before, increasing to \$16,534,479. (figure A1)

Condensed Statement of Net position- figure A1

	Governmental		Business-type		Total School District		Total Percentage Change
	Activities 2012	2013	Activities 2012	2013	2012	2013	
Current and other assets	\$15,244,334	\$26,232,156	\$166,206	\$104,864	\$15,410,540	\$26,337,020	70.9%
Capital assets	\$20,421,803	\$19,982,514	\$180,046	\$152,544	\$20,601,849	\$20,135,058	-2.3%
Total Assets	\$35,666,137	\$46,214,670	\$346,252	\$257,408	\$36,012,389	\$46,472,078	29.0%
Long-term debt outstanding	\$11,696,106	\$20,802,291			\$11,696,106	\$20,802,291	78%
Other liabilities	\$8,912,387	\$9,075,351	\$52,186	\$59,957	\$8,964,573	\$9,135,308	1.9%
Total liabilities	\$20,608,493	\$29,877,642	\$52,186	\$59,957	\$20,660,679	\$29,937,599	44.9%
Net position							
Invested in capital assets,							
net of related debt	\$8,836,803	\$9,087,514	\$180,046	\$152,544	\$9,016,849	\$9,240,058	2.5%
Restricted	\$4,080,245	\$4,788,025			\$4,080,245	\$4,788,025	17.3%
Unrestricted	\$2,140,596	\$2,461,489	\$114,020	\$44,907	\$2,254,616	\$2,506,396	11.2%
TOTAL NET POSITION	\$15,057,644	\$16,337,028	\$294,066	\$197,451	\$15,351,710	\$16,534,479	7.7%

Change in net position: Figure A-2 shows the changes in net position for the year ending June 30, 2013.

Changes in Net position from Operating Results – figure A2

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2012	2013	2012	2013	2012	2013	
Revenues							
Program Revenues					\$ -	\$ -	
Charges for services	\$ 812,114	\$ 948,833	\$ 365,677	\$ 382,642	\$ 1,177,791	\$ 1,331,475	13.0%
Operating Grants & Contributions	\$ 2,873,947	\$ 2,844,261	\$ 374,664	\$ 360,885	\$ 3,248,611	\$ 3,205,146	-1.3%
Capital Grants & Contributions	\$ 465,955	-	\$ 3,596	\$	\$ 469,551	\$ -	-100%
General Revenues					\$ -	\$ -	
Property taxes & other taxes	\$ 8,314,988	\$ 8,669,365			\$ 8,314,988	\$ 8,669,365	4.3%
State formula aid	\$ 7,986,833	\$ 7,526,605			\$ 7,986,833	\$ 7,526,605	-5.8%
Other	\$ 161,388	\$ 399,994	\$ 10	\$ 2,504	\$ 161,398	\$ 402,498	149.4%
Total Revenues	\$ 20,615,225	\$ 20,389,058	\$ 743,947	\$ 746,031	\$ 21,359,172	\$ 21,135,089	-1.0%
Expenses							
Instruction	\$ 11,785,381	\$ 12,017,466			\$ 11,785,381	\$ 12,017,466	2.0%
Pupil & Instructional Svcs	\$ 4,666,533	\$ 5,009,930			\$ 4,666,533	\$ 5,009,930	7.4%
Non-instructional Programs			\$ 821,596	\$ 842,646	\$ 821,596	\$ 842,646	2.6%
					\$ -	\$ -	
Other	\$ 2,323,895	\$ 2,082,278	\$	\$	\$ 2,323,895	\$ 2,082,278	-10.3%
Total Expenses	\$ 18,775,809	\$ 19,109,674	\$ 796,659	\$ 842,646	\$ 19,597,405	\$ 19,952,320	1.8%
Increase (decrease) in net position	\$ 1,839,416	\$ 1,279,384	\$ (77,649)	\$ (96,615)	\$ 1,761,767	\$ 1,182,769	-3.3%

Property tax and unrestricted state grants account for 77% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$20,389,058 and expenses were \$19,109,674. In a very difficult budget year, the District did a remarkable job of controlling expenditures to provide additional funds for upcoming years.

The following table presents the total and net cost of the District's major governmental activities; instruction, support services, non-instructional programs and other expenses.

Figure A-3 Total Net Cost of Governmental Activities

Net Cost of Governmental Activities- figure A3

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2012	2013		2012	2013	
Instruction	\$11,785,381	\$12,017,466	1.5%	\$8,853,004	\$9,008,756	1.8%
Support Services	\$4,666,533	\$5,009,930	8.0%	\$4,574,548	\$4,883,737	6.8%
Non-instructional programs	--	--	--	--	--	0%
	\$	\$				
Other	2,323,895	2,082,278	16.2%	\$1,196,241	\$1,424,087	19%
TOTAL	\$18,775,809	\$19,109,674	-4.7%	\$14,623,793	\$15,316,580	4.7%

- ◆ The cost financed by users of District's programs was \$948,833 as noted in Exhibit B in the basic financial statements.
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$2,844,261.
- ◆ The net cost of governmental activities was financed with \$8,669,365 in property tax, \$7,526,605 in state foundation aid and \$399,994 in other income totaling 16,595,964.

Business -Type Activities

Revenues of the District's business-type activities were \$746,001 and expenses were \$842,646.

The District's business-type activities include the School Nutrition Fund, and the Child Care Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Vinton-Shellsburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$16,724,016 an increase of \$10,846,264 from last year's ending fund balance of \$5,877,752. The primary reason for the increase in combined fund balances in fiscal 2013 was due to refinancing the bonds on school improvement projects and holding approximately \$9,800,000 in escrow until the original bonds can be paid off. At the same time, the District continued to monitor expenditures plus continued to levy for cash reserve.

Governmental Fund Highlights

- ◆ The District's General Fund financial position is the product of many factors. The Instructional Support Levy was increased from 7% to 10% of regular program district cost in fiscal year 2011, increased taxes and grants resulted in increased revenues. The increase in revenues was coupled with about the usual increase in General Fund expenditures.
- ◆ The General Fund balance increased from \$2,473,214 to 2,953,194 for the 2012-13 fiscal year. The District worked to improve the balance by increasing cash reserve levy and controlling expenditures.
- ◆ The Capital Projects Fund balance increased from \$2,574,559 to \$2,988,923 for the 2012-13 fiscal year based on increased revenues from the one cent sales tax revenues and monitoring expenses.
- ◆ The Debt Service Fund balance increased from \$48,981 to \$9,920,788 for the 2012-13 fiscal year because the District issued \$9.82 million in refunding bonds which is being held in escrow until the call date of the bonds being refunded. See footnote 6 to the basic financial statements for more information on this transaction.

◆ Proprietary Fund Highlights

The School Nutrition Fund and Preschool Daycare net position decreased from \$294,066 at June 30, 2012 to \$197,451 at June 30, 2013. The large decrease resulted from changes required in the child nutrition programs which resulted in higher costs but decreased participation. This situation is being monitored.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following the required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds; budgets for the General Fund are not presented on the budgetary comparison pages.

Legal Budgetary Highlights

The District's total actual revenues were \$337,095 more than the total budgeted receipts, a variance of 1.6 percent. The most significant difference was that the District received more revenues from local and federal sources with less from state sources than originally budgeted at a net result of 337,095. Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount that exceeds projected expenditures for the coming fiscal year but is less than the maximum allowed by law. The District then manages or controls General Fund spending through a line-item budget at the building level. As a result, the District's certified budget should always exceed the actual expenditures during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2013, the District had invested \$20.1 million, net of accumulated depreciation of \$8.55 million, in a broad range of capital assets, including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) More detailed information about capital assets is available in the notes to the basic financial statements.

Governmental Funds account for \$19.98 million with the remainder of \$.15 million in the School Nutrition Fund, net of accumulated depreciation amounts of \$8.30 million and \$.25 million, respectively.

Figure A-4
Capital Assets, Net of Depreciation

<i>Capital Assets (net of depreciation)- figure A4</i>							
	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2012	2013	2012	2013	2012	2013	
Land	\$ 86,215	\$ 86,215			\$ 86,215	\$ 86,215	0%
Construction in progress	\$ -	\$ -			\$ -	\$ -	
Improvements	\$ 400,839	\$ 421,426			\$ 400,839	\$ 421,426	5.1%
Buildings	\$ 19,444,151	\$ 18,968,546			\$ 19,444,151	\$ 18,968,546	-2.4%
Equipment & Furniture	\$ 490,598	\$ 506,327	\$ 180,046	\$ 152,544	\$ 670,644	\$ 658,871	-1.8%
TOTAL	\$ 20,421,803	\$ 19,982,514	\$ 180,046	\$ 152,544	\$ 20,601,849	\$ 20,135,058	-2.3%

Long-Term Liabilities

On June 30, 2013, the District had \$20,715,000 bonded indebtedness, and \$87,291 in early retirement liabilities. See figure A-5 for more detail on long-term obligations. Further details on the District's long-term liabilities are available in the notes to the basic financial statements.

Figure A-5
Total School District

	2012	2013	Change	
Early Retirement	\$ 111,106	\$ 87,291	-\$ 23,815	
Lease purchases	0	0	0	
Real estate contract	0	0	0	
General obligation bonds	\$ 11,585,000	\$ 20,715,000	\$ 9,130,000	
Capital loan notes	0	0	0	
Totals	\$ 11,696,106	\$ 20,802,291	\$ 9,106,185	

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- ◆ The District voters reauthorized a one-cent school infrastructure local option tax in February 2013. The revenues from the one-cent school infrastructure local option tax will be used to repay some of the general obligation bonds and interest.
- ◆ Settlements in excess of "new money" or allowable growth in state funding for contracts will have an adverse effect on the District's General Fund budget and reserve fund balance.
- ◆ Student enrollment figures remain a concern. General Fund state funding formula dollars are based on the number of students that are enrolled.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brenda Barkdoll, Business Manager, Vinton-Shellsburg Community School District, 1502 C Ave., Vinton, Iowa 52349.

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Basic Financial Statements

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 17,672,224	\$ 93,346	\$ 17,765,570
Receivables:			
Property tax:			
Current year	115,295	-	115,295
Succeeding year	6,894,211	-	6,894,211
Income surtax	536,315	-	536,315
Accounts	2,707	-	2,707
Due from other governments	1,011,404	-	1,011,404
Inventories	-	11,518	11,518
Capital assets, net of accumulated depreciation (note 5)	19,982,514	152,544	20,135,058
Total assets	46,214,670	257,408	46,472,078
Liabilities			
Accounts payable	465,551	691	466,242
Salaries and benefits payable	1,611,757	50,194	1,661,951
Accrued interest payable	103,526	-	103,526
Deferred revenue:			
Succeeding year property tax	6,894,211	-	6,894,211
Other	306	9,072	9,378
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	87,291	-	87,291
Bonds payable	720,000	-	720,000
Portion due after one year:			
Bonds payable	19,995,000	-	19,995,000
Total liabilities	29,877,642	59,957	29,937,599

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Net Position			
Net investment in capital assets	\$ 9,087,514	\$ 152,544	\$ 9,240,058
Restricted for:			
Categorical funding	642,200	-	642,200
Management levy purposes	488,191	-	488,191
Physical plant and equipment levy purposes	1,236,434	-	1,236,434
Student activities	285,629	-	285,629
Capital projects	2,135,571	-	2,135,571
Unrestricted	2,461,489	44,907	2,506,396
Total net position	\$ <u>16,337,028</u>	\$ <u>197,451</u>	\$ <u>16,534,479</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 7,628,881	\$ 329,836	\$ 1,788,813
Special instruction	2,539,892	130,363	257,228
Other instruction	1,848,693	488,634	13,836
	<u>12,017,466</u>	<u>948,833</u>	<u>2,059,877</u>
Support services:			
Student services	602,027	-	112,916
Instructional staff services	1,240,195	-	-
Administration services	1,289,732	-	-
Operation and maintenance of plant services	1,234,347	-	-
Transportation services	643,629	-	13,277
	<u>5,009,930</u>	<u>-</u>	<u>126,193</u>
Other expenditures:			
Facilities acquisition	223,251	-	-
Long-term debt interest and fiscal charges	678,263	-	-
AEA flowthrough	658,191	-	658,191
Depreciation (unallocated) *	522,573	-	-
	<u>2,082,278</u>	<u>-</u>	<u>658,191</u>
Total governmental activities	<u>19,109,674</u>	<u>948,833</u>	<u>2,844,261</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (5,510,232)	\$ -	\$ (5,510,232)
(2,152,301)	-	(2,152,301)
(1,346,223)	-	(1,346,223)
(9,008,756)	-	(9,008,756)
(489,111)	-	(489,111)
(1,240,195)	-	(1,240,195)
(1,289,732)	-	(1,289,732)
(1,234,347)	-	(1,234,347)
(630,352)	-	(630,352)
(4,883,737)	-	(4,883,737)
(223,251)	-	(223,251)
(678,263)	-	(678,263)
-	-	-
(522,573)	-	(522,573)
(1,424,087)	-	(1,424,087)
(15,316,580)	-	(15,316,580)

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Business-Type Activities:			
Non-instructional programs:			
Other enterprise operations	5,168	6,368	-
Food service operations	837,478	376,274	360,885
	842,646	382,642	360,885
 Total business-type activities	842,646	382,642	360,885
 Total	\$ 19,952,320	\$ 1,331,475	\$ 3,205,146

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state and federal grants
Unrestricted investment earnings
Bond premium
Sale of equipment
Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
-	1,200	1,200
-	(100,319)	(100,319)
-	(99,119)	(99,119)
-	(99,119)	(99,119)
(15,316,580)	(99,119)	(15,415,699)
\$ 5,921,458	\$ -	\$ 5,921,458
422,819	-	422,819
345,660	-	345,660
554,998	-	554,998
1,424,430	-	1,424,430
7,526,605	-	7,526,605
7,806	4	7,810
216,279	-	216,279
-	2,500	2,500
175,909	-	175,909
16,595,964	2,504	16,598,468
1,279,384	(96,615)	1,182,769
15,057,644	294,066	15,351,710
<u>\$ 16,337,028</u>	<u>\$ 197,451</u>	<u>\$ 16,534,479</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 4,667,716	\$ 9,913,579	\$ 2,223,953	\$ 866,976	\$ 17,672,224
Receivables:					
Property tax:					
Current year	95,705	7,209	5,894	6,487	115,295
Succeeding year	5,471,798	872,825	359,587	190,001	6,894,211
Income surtax	153,233	-	383,082	-	536,315
Interfund receivable (note 3)	-	-	2,371	-	2,371
Accounts	1,686	-	253	768	2,707
Due from other governments	250,685	-	760,719	-	1,011,404
Total assets	<u>\$ 10,640,823</u>	<u>\$ 10,793,613</u>	<u>\$ 3,735,859</u>	<u>\$ 1,064,232</u>	<u>\$ 26,234,527</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 448,164	\$ -	\$ 4,267	\$ 13,120	\$ 465,551
Salaries and benefits payable	1,611,757	-	-	-	1,611,757
Interfund payable (note 3)	2,371	-	-	-	2,371
Deferred revenue:					
Succeeding year property tax	5,471,798	872,825	359,587	190,001	6,894,211
Other	153,539	-	383,082	-	536,621
Total liabilities	<u>7,687,629</u>	<u>872,825</u>	<u>746,936</u>	<u>203,121</u>	<u>9,510,511</u>
Fund balances:					
Restricted for:					
Categorical funding (note 10)	642,200	-	-	-	642,200
Refunding bond escrow	-	9,871,559	-	-	9,871,559
Debt service	-	49,229	-	-	49,229
Management levy purposes	-	-	-	575,482	575,482
Student activities	-	-	-	285,629	285,629
School infrastructure	-	-	2,135,571	-	2,135,571
Physical plant and equipment	-	-	853,352	-	853,352
Unassigned	<u>2,310,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,310,994</u>
Total fund balances	<u>2,953,194</u>	<u>9,920,788</u>	<u>2,988,923</u>	<u>861,111</u>	<u>16,724,016</u>
Total liabilities and fund balances	<u>\$ 10,640,823</u>	<u>\$ 10,793,613</u>	<u>\$ 3,735,859</u>	<u>\$ 1,064,232</u>	<u>\$ 26,234,527</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2013

Total fund balances of governmental funds	\$ 16,724,016
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	19,982,514
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	536,315
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(103,526)
Long-term liabilities, including bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(20,802,291)</u>
Net position of governmental activities	<u>\$ 16,337,028</u>
See notes to financial statements.	

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 5,699,571	\$ 422,510	\$ 2,164,965	\$ 375,627	\$ 8,662,673
Tuition	401,864	-	-	-	401,864
Other	132,694	7,748	98,690	498,192	737,324
State sources	9,511,276	308	253	274	9,512,111
Federal sources	856,988	-	-	-	856,988
Total revenues	16,602,393	430,566	2,263,908	874,093	20,170,960
Expenditures:					
Current:					
Instruction	11,310,171	-	-	719,558	12,029,729
Support services:					
Student	602,025	-	-	-	602,025
Instructional staff	532,423	-	648,372	-	1,180,795
Administration	1,292,065	-	73,402	-	1,365,467
Operation and maintenance of plant	1,167,492	-	85,330	62,631	1,315,453
Transportation	560,046	-	-	11,791	571,837
	4,154,051	-	807,104	74,422	5,035,577
Other expenditures:					
Facilities acquisition	-	-	292,440	-	292,440
Long term debt:					
Principal	-	690,000	-	-	690,000
Interest and fiscal charges	-	655,038	-	-	655,038
AEA flowthrough	658,191	-	-	-	658,191
	658,191	1,345,038	292,440	-	2,295,669
Total expenditures	16,122,413	1,345,038	1,099,544	793,980	19,360,975
Excess (deficiency) of revenues over (under) expenditures	479,980	(914,472)	1,164,364	80,113	809,985

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
General obligation bonds issued	\$ -	\$ 9,820,000	\$ -	\$ -	\$ 9,820,000
Premium on general obligation bonds issued	-	216,279	-	-	216,279
Interfund transfers in (note 4)	-	750,000	-	-	750,000
Interfund transfers out (note 4)	-	-	(750,000)	-	(750,000)
Total other financing sources (uses)	-	10,786,279	(750,000)	-	10,036,279
Net change in fund balances	479,980	9,871,807	414,364	80,113	10,846,264
Fund balances beginning of year	2,473,214	48,981	2,574,559	780,998	5,877,752
Fund balances end of year	\$ <u>2,953,194</u>	\$ <u>9,920,788</u>	\$ <u>2,988,923</u>	\$ <u>861,111</u>	\$ <u>16,724,016</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ 10,846,264

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 170,555	
Depreciation expense	<u>(609,844)</u>	(439,289)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. 1,819

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (9,820,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position 690,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (23,225)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		<u>23,815</u>
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Change in net assets of governmental activities	\$	<u><u>1,279,384</u></u>
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See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013

	School Nutrition	Nonmajor Enterprise	Total
Assets			
Cash and cash equivalents	\$ 87,449	\$ 5,897	\$ 93,346
Inventories	11,518	-	11,518
Capital assets, net of accumulated depreciation (note 5)	152,544	-	152,544
Total current assets	<u>251,511</u>	<u>5,897</u>	<u>257,408</u>
Liabilities			
Accounts payable	691	-	691
Salaries and benefits payable	50,194	-	50,194
Deferred revenue	9,072	-	9,072
Total current liabilities	<u>59,957</u>	<u>-</u>	<u>59,957</u>
Net Assets			
Invested in capital assets	152,544	-	152,544
Unrestricted	<u>39,010</u>	<u>5,897</u>	<u>44,907</u>
Total net position	<u>\$ 191,554</u>	<u>\$ 5,897</u>	<u>\$ 197,451</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2013

	School Nutrition	Nonmajor Enterprise	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 376,274	\$ 6,368	\$ 382,642
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	263,426	-	263,426
Benefits	149,693	-	149,693
Purchased services	15,850	-	15,850
Supplies	381,007	-	381,007
Depreciation	27,502	-	27,502
	<u>837,478</u>	<u>-</u>	<u>837,478</u>
Other enterprise operations:			
Salaries	-	4,139	4,139
Benefits	-	1,014	1,014
Supplies	-	15	15
	<u>-</u>	<u>5,168</u>	<u>5,168</u>
Total expenses	<u>837,478</u>	<u>5,168</u>	<u>842,646</u>
Operating income (loss)	(461,204)	1,200	(460,004)
Non-operating revenues:			
Interest on investments	4	-	4
Sale of equipment	2,500	-	2,500
State sources	6,945	-	6,945
Federal sources	353,940	-	353,940
Total non-operating revenues	<u>363,389</u>	<u>-</u>	<u>363,389</u>
Change in net position	(97,815)	1,200	(96,615)
Net position beginning of year	<u>289,369</u>	<u>4,697</u>	<u>294,066</u>
Net position end of year	<u>\$ 191,554</u>	<u>\$ 5,897</u>	<u>\$ 197,451</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2013

	School Nutrition	Nonmajor Enterprise	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 368,403	\$ -	\$ 368,403
Cash received from miscellaneous operating activities	8,748	6,368	15,116
Cash payments to employees for services	(406,628)	(5,191)	(411,819)
Cash payments to suppliers for goods or services	(352,140)	(15)	(352,155)
Net cash provided by (used by) operating activities	<u>(381,617)</u>	<u>1,162</u>	<u>(380,455)</u>
Cash flows from non-capital financing activities:			
State grants received	6,945	-	6,945
Federal grants received	<u>312,962</u>	<u>-</u>	<u>312,962</u>
Net cash provided by non-capital financing activities	<u>319,907</u>	<u>-</u>	<u>319,907</u>
Cash flows from capital and related activities:			
Sale of equipment	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Cash flows from investing activities:			
Interest on investments	<u>4</u>	<u>-</u>	<u>4</u>
Net increase (decrease) in cash and cash equivalents	(59,206)	1,162	(58,044)
Cash and cash equivalents beginning of year	<u>146,655</u>	<u>4,735</u>	<u>151,390</u>
Cash and cash equivalents end of year	<u>\$ 87,449</u>	<u>\$ 5,897</u>	<u>\$ 93,346</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2013

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided by (used by) operating activities:			
Operating loss	\$ (461,204)	\$ 1,200	\$ (460,004)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:			
Depreciation	27,502	-	27,502
Commodities used	40,978	-	40,978
Decrease in inventories	3,298	-	3,298
Increase in accounts payable	441	-	441
Increase (decrease) in salaries and benefits payable	6,491	(38)	6,453
Increase in deferred revenue	<u>877</u>	<u>-</u>	<u>877</u>
Net cash provided by (used by) operating activities	<u>\$ (381,617)</u>	<u>\$ 1,162</u>	<u>\$ (380,455)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$40,978 of federal commodities.

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>90,234</u>
Liabilities:	
Accounts payable	<u>316</u>
Net position:	
Reserved for scholarships	\$ <u><u>89,918</u></u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2013

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>144,218</u>
Deductions:	
Support services:	
Supplies	<u>135,080</u>
Change in net position	9,138
Net position beginning of year	<u>80,780</u>
Net position end of year	\$ <u><u>89,918</u></u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

Vinton-Shellsburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Vinton and Shellsburg, Iowa, and agricultural territory in Benton, Blackhawk and Buchanan Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Vinton-Shellsburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Vinton-Shellsburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Benton County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position are reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	150,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned Federal grant revenues and unearned meal revenues.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and personal days during the fiscal year. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The District had no compensated absences liability.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Cash and Pooled Investments (continued)

At June 30, 2013, the District had the following investments at June 30, 2013:

	<u>Value</u>
Iowa Schools Joint Investment Trust,	
Diversified Portfolio	\$ 7,933,213
U. S. Treasury Securities	<u>9,871,559</u>
	<u>\$ 17,804,772</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the U. S. Treasury Securities are valued at fair value.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services. The investments in U. S. Treasury Securities are not subject to investment rating.

Note 3. Interfund Receivables/Payables

The detail of the interfund receivables and payables at June 30, 2013 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects:		
Special Revenue, Physical	General	\$ <u>2,371</u>
Plant and Equipment Levy Account		

The interfund receivables and payables arise from transactions between funds which had not yet been repaid at year end.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>750,000</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 86,215	\$ -	\$ -	\$ 86,215
Capital assets being depreciated:				
Buildings	25,677,898	20,706	-	25,698,604
Improvements other than buildings	826,076	48,483	-	874,559
Furniture and equipment	1,561,665	101,366	44,794	1,618,237
Total capital assets being depreciated	28,065,639	170,555	44,794	28,191,400
Less accumulated depreciation for:				
Buildings	6,233,747	496,311	-	6,730,058
Improvements other than buildings	425,237	27,896	-	453,133
Furniture and equipment	1,071,067	85,637	44,794	1,111,910
Total accumulated depreciation	7,730,051	609,844	44,794	8,295,101
Total capital assets being depreciated, net	20,335,588	(439,289)	-	19,896,299
Governmental activities capital assets, net	\$ 20,421,803	\$ (439,289)	\$ -	\$ 19,982,514
Business-type activities:				
Furniture and equipment	\$ 408,782	\$ -	\$ 6,508	\$ 402,274
Less accumulated depreciation	228,736	27,502	6,508	249,730
Business-type activities capital assets, net	\$ 180,046	\$ (27,502)	\$ -	\$ 152,544

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 9,108
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Support services:

Administration	11,141
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Operation and maintenance of plant	4,224
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Transportation	62,798
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	<u>87,271</u>
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Unallocated depreciation	<u>522,573</u>
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Total depreciation expense - governmental activities	\$ <u><u>609,844</u></u>
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Business-type activities:

Food service operations	\$ <u><u>27,502</u></u>
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VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 111,106	\$ 87,291	\$ 111,106	\$ 87,291	\$ 87,291
General obligation bonds	11,585,000	9,820,000	690,000	20,715,000	720,000
Total	<u>\$ 11,696,106</u>	<u>\$ 9,907,291</u>	<u>\$ 801,106</u>	<u>\$ 20,802,291</u>	<u>\$ 807,291</u>

Early Retirement

The District offered a voluntary early retirement plan to all District employees for the year ended June 30, 2013. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service to the District. Employees had to complete an application which was required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to 40% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. The employee may also continue participation in the District's group health insurance, at the employee's own cost.

At June 30, 2013, the District had obligations to four participants with a total liability of \$87,291. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$111,106. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Long-Term Liabilities (continued)

Bonds Payable

During the year ended June 30, 2013, the District issued \$9,820,000 in General Obligation School Refunding Bonds. The bonds, dated December 27, 2012, are payable through the year ended June 30, 2025 and have interest rates ranging from 1.125% to 2.000%.

The proceeds of the General Obligation School Refunding Bonds were placed in escrow and will be used to crossover refund \$3,795,000 of the General Obligation School Bonds issued on December 1, 2004 and \$5,945,000 of the General Obligation School Bonds issued on May 1, 2005. Those bonds had interest rates ranging from 3.65% to 4.25% and 4.000% to 4.375%, respectively, were payable through the years ended June 30, 2024 and June 30, 2025, respectively, and will become callable after May 1, 2014 and May 1, 2015, respectively. This represents a crossover refunding transaction of both bond issues and those bonds will remain on the District's financial statements until the respective call dates, or crossover dates, of each issue. The refunding of the December 1 and May 1 General Obligation School Bonds will result in a total savings of \$1,330,152 over the next twelve years, with an economic savings (net present value) of \$1,206,565.

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue Dated December 1, 2004			Issue Dated May 1, 2005		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	4.25 %	\$ 300,000	\$ 166,180	4.25 %	420,000	\$ 286,320
2015	3.65	3,795,000	153,430	4.25	435,000	268,470
2016	-	-	-	4.25	5,945,000	249,982
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
		<u>\$ 4,095,000</u>	<u>\$ 319,610</u>		<u>\$ 6,800,000</u>	<u>\$ 804,772</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Issue Dated December 27, 2012			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2014	2.000 %	\$ -	\$ 168,659	\$ 720,000	621,159
2015	2.000	175,000	168,659	4,405,000	590,559
2016	2.000	885,000	165,158	6,830,000	415,140
2017	2.000	910,000	147,459	910,000	147,459
2018	2.000	925,000	129,259	925,000	129,259
2019	2.000	945,000	110,758	945,000	110,758
2020	1.125	965,000	91,859	965,000	91,859
2021	1.250	975,000	81,002	975,000	81,002
2022	1.500	985,000	68,815	985,000	68,815
2023	1.600	1,000,000	54,040	1,000,000	54,040
2024	1.700	1,020,000	38,040	1,020,000	38,040
2025	2.000	1,035,000	20,700	1,035,000	20,700
		<u>\$ 9,820,000</u>	<u>\$ 1,244,408</u>	<u>\$ 20,715,000</u>	<u>\$ 2,368,790</u>

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$980,537, \$903,365, and \$798,607, respectively, equal to the required contributions for each year.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Risk Management

Vinton-Shellsburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$658,191 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	156,960
Returning dropouts and dropout prevention programs	151,002
Professional development	134,822
Professional development for model core curriculum	83,166
Gifted and talented programs	71,123
At-risk programs	43,319
Limited English proficiency	1,320
Governor's Advisory Council STEM programs	\$ <u>488</u>
Total	\$ <u><u>642,200</u></u>

Required Supplementary Information

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 9,801,861	\$ 385,146	\$ 10,187,007	\$ 9,807,487	\$ 9,807,487	\$ 379,520
State sources	9,512,111	6,945	9,519,056	9,603,801	9,603,801	(84,745)
Federal sources	856,988	353,940	1,210,928	1,168,608	1,168,608	42,320
Total revenues	20,170,960	746,031	20,916,991	20,579,896	20,579,896	337,095
EXPENDITURES/EXPENSES:						
Instruction	12,029,729	-	12,029,729	13,217,905	13,217,905	1,188,176
Support services	5,035,577	-	5,035,577	5,077,383	5,346,267	310,690
Non-instructional programs	-	842,646	842,646	839,250	868,000	25,354
Other expenditures	2,295,669	-	2,295,669	2,200,487	2,503,429	207,760
Total expenditures/expenses	19,360,975	842,646	20,203,621	21,335,025	21,935,601	1,731,980
Excess (deficiency) of revenues over (under) expenditures/ expenses	809,985	(96,615)	713,370	(755,129)	(1,355,705)	2,069,075
Other financing sources, net	10,036,279	-	10,036,279	-	-	10,036,279
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	10,846,264	(96,615)	10,749,649	(755,129)	(1,355,705)	12,105,354
Balance beginning of year	5,877,752	294,066	6,171,818	4,650,553	4,650,553	1,521,265
Balance end of year	<u>\$ 16,724,016</u>	<u>\$ 197,451</u>	<u>\$ 16,921,467</u>	<u>\$ 3,895,424</u>	<u>\$ 3,294,848</u>	<u>\$ 13,626,619</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$600,576.

During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

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Supplementary Information

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Assets			
Cash and pooled investments	\$ 576,417	\$ 290,559	\$ 866,976
Receivables:			
Property tax:			
Current year	6,487	-	6,487
Succeeding year	190,001	-	190,001
Accounts	-	768	768
Total assets	\$ 772,905	\$ 291,327	\$ 1,064,232
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 7,422	\$ 5,698	\$ 13,120
Deferred revenue:			
Succeeding year property tax	190,001	-	190,001
Total liabilities	197,423	5,698	203,121
Fund balances:			
Restricted for:			
Management levy purposes	575,482	-	575,482
Student activities	-	285,629	285,629
Total fund balances	575,482	285,629	861,111
Total liabilities and fund balances	\$ 772,905	\$ 291,327	\$ 1,064,232

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2013

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 375,627	\$ -	\$ 375,627
Other	9,548	488,644	498,192
State sources	274	-	274
Total revenues	<u>385,449</u>	<u>488,644</u>	<u>874,093</u>
Expenditures:			
Current:			
Instruction	222,775	496,783	719,558
Support services:			
Operation and maintenance of plant	62,631	-	62,631
Transportation services	11,791	-	11,791
Total expenditures	<u>297,197</u>	<u>496,783</u>	<u>793,980</u>
Excess (deficiency) of revenues over (under) expenditures	88,252	(8,139)	80,113
Fund balances beginning of year	<u>487,230</u>	<u>293,768</u>	<u>780,998</u>
Fund balances end of year	<u>\$ 575,482</u>	<u>\$ 285,629</u>	<u>\$ 861,111</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,379,119	\$ 844,834	\$ 2,223,953
Receivables:			
Property tax:			
Current year	-	5,894	5,894
Succeeding year	-	359,587	359,587
Income surtax	-	383,082	383,082
Interfund receivable	-	2,371	2,371
Accounts	-	253	253
Due from other governments	760,719	-	760,719
	<u>760,719</u>	<u>-</u>	<u>760,719</u>
Total assets	<u>\$ 2,139,838</u>	<u>\$ 1,596,021</u>	<u>\$ 3,735,859</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 4,267	\$ -	\$ 4,267
Deferred revenue:			
Succeeding year property tax	-	359,587	359,587
Other	-	383,082	383,082
Total liabilities	<u>4,267</u>	<u>742,669</u>	<u>746,936</u>
Fund balances:			
Restricted for:			
School infrastructure	2,135,571	-	2,135,571
Physical plant and equipment	-	853,352	853,352
Total fund balances	<u>2,135,571</u>	<u>853,352</u>	<u>2,988,923</u>
Total liabilities and fund balances	<u>\$ 2,139,838</u>	<u>\$ 1,596,021</u>	<u>\$ 3,735,859</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS ACCOUNTS

Year Ended June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,424,430	\$ 740,535	\$ 2,164,965
Other	1,326	97,364	98,690
State sources	-	253	253
Total revenues	<u>1,425,756</u>	<u>838,152</u>	<u>2,263,908</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	-	648,372	648,372
Administration	72,813	589	73,402
Operation and maintenance of plant	-	85,330	85,330
Other expenditures:			
Facilities acquisition	-	292,440	292,440
Total expenditures	<u>72,813</u>	<u>1,026,731</u>	<u>1,099,544</u>
Excess (deficiency) of revenues over (under) expenditures	1,352,943	(188,579)	1,164,364
Other financing sources (uses):			
Intrafund transfers in	-	480,000	480,000
Intrafund transfers out	(480,000)	-	(480,000)
Interfund transfers out	(750,000)	-	(750,000)
Total other financing sources (uses)	<u>(1,230,000)</u>	<u>480,000</u>	<u>(750,000)</u>
Net change in fund balances	122,943	291,421	414,364
Fund balances beginning of year	<u>2,012,628</u>	<u>561,931</u>	<u>2,574,559</u>
Fund balances end of year	<u>\$ 2,135,571</u>	<u>\$ 853,352</u>	<u>\$ 2,988,923</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
General Athletics	\$ 19,715	\$ 33,798	\$ 17,120	\$ 36,393
Life Skills-Sp Ed	1,268	190	1,076	382
Activity Bus	337	-	-	337
Health	11,061	1,500	1,670	10,891
Interest	3,159	10	2,531	638
Boys Basketball	9,465	28,264	21,365	16,364
Coach Basketball Fund	5,627	22,663	20,462	7,828
Boys Football	5,861	17,067	20,622	2,306
Youth Football Fund	132	-	-	132
Coach Football Fund	12,215	14,161	10,150	16,226
Boys Soccer	739	1,210	1,410	539
Coach Soccer Fund	2,643	2,746	2,141	3,248
Boys Baseball	320	13,399	17,485	(3,766)
Coach Baseball Fund	5,898	1,542	6,297	1,143
Boys Track	1,780	6,485	5,800	2,465
Coach Boys Track Fund	2,927	3,355	3,716	2,566
Boys Cross Country	416	701	996	121
Coach Cross Country Fund	4,589	3,697	6,803	1,483
Boys Golf	-	273	257	16
Coach Golf Fund	1,085	2,078	1,907	1,256
Boys Swimming	493	297	310	480
Coach Swimming Fund	796	3,187	3,229	754
Boys Wrestling	5,311	8,686	6,959	7,038
Coach Wrestling Fund	7,879	22,616	26,172	4,323
Girls Basketball	5,578	9,880	9,599	5,859
Coach Girls Basketball	2,448	9,111	9,469	2,090
Girls Volleyball	6,342	6,780	7,416	5,706
MS Girls Volleyball	416	992	1,068	340
Coach Girls Volleyball	1,358	6,900	8,258	-
Girls Soccer	637	1,382	2,019	-
Coach Girls Soccer	1,900	4,457	5,525	832
Coach Girls Softball	10,319	8,799	11,497	7,621
Girls Track	604	2,230	1,862	972
Coach Girls Track	2,210	6,407	5,546	3,071
Girls Cross Country	-	121	121	-
Girls Golf	-	545	545	-
Coach Girls Golf	-	2,435	2,126	309
Girls Swimming	421	1,325	320	1,426
Coach Girls Swimming	1,282	-	409	873
MS Yearbook	43	2,757	2,800	-

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
MS Band	\$ 10,614	\$ 1,388	\$ 120	\$ 11,882
MS Magazine	8,713	507	1,805	7,415
MS Pop	3,424	1,090	1,449	3,065
MS Student Council	4,898	2,201	2,048	5,051
MS Picture	2,237	318	-	2,555
MS Lunch Activity	-	-	-	-
Shellsburg Special Needs	652	-	-	652
HS Life Skills	1,428	-	-	1,428
Special Olympics	2,260	-	-	2,260
HS Yearbook	3,048	4,313	4,175	3,186
Weight Room HS	1,843	1,200	2,195	848
HS Pop	3,029	1,825	2,804	2,050
HS Student Council	4,236	4,232	5,068	3,400
HS Picture	79	294	-	373
HS Lunch Activity	-	-	-	-
Contest Speech	3,024	14,175	12,334	4,865
Shellsburg Picture	6,851	1,457	1,703	6,605
Activity Sales HS	1,319	-	-	1,319
Shellsburg Yearbook	2,134	1,040	2,211	963
Band	13,185	25,409	24,424	14,170
Band Trip HS	23,652	49,972	68,493	5,131
Concession Account	782	-	-	782
Shellsburg Pop	3,114	1,904	5,018	-
Vending Machine	364	-	-	364
Drill Team	1,056	675	681	1,050
Act Tickets	1,575	-	-	1,575
FFA	13,438	57,240	52,065	18,613
FHA	306	-	-	306
HS Home Economics	25	292	-	317
Fine Arts Sponsors	34	-	-	34
MS Health Account	1,076	-	-	1,076
Ambassador Club	394	-	-	394
National Honor Society	2,694	1,897	1,598	2,993
Business Professionals	1,390	101	1,149	342
Science Club	2,596	-	-	2,596
Shellsburg Student Council	5,388	368	462	5,294
Tilford Picture	2,560	7,469	7,091	2,938
SADD Fund	311	-	-	311
Theatre Fund	1,642	3,408	3,821	1,229
Invention Convention	330	-	-	330

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance of Year	Revenues	Expenditures	Balance of Year
Recycling Club	\$ 101	\$ -	\$ -	\$ 101
Vocal	1,355	-	-	1,355
Coach Speech	313	-	51	262
Lunch Account	-	-	-	-
Activity Guidance	43	-	-	43
HS Special Projects	2,738	-	-	2,738
Amateur Radio	1,381	-	-	1,381
Shooting Sports	5,112	22,153	18,570	8,695
Family Cons. Science	190	25	-	215
FCCLA	147	760	479	428
Cheerleader Fund	4,950	5,280	5,600	4,630
Softball Fund	465	4,268	6,995	(2,262)
Class of 2011	2,422	-	-	2,422
Class of 2012	(130)	-	-	(130)
Class of 2013	1,706	-	608	1,098
Class of 2014	-	1,069	-	1,069
Class of 2016	-	-	43	(43)
Football Touchdown Club	-	13,364	11,354	2,010
Alternative High School Yearbooks	-	284	-	284
Alternative High School Fundraisers	-	62	-	62
Middle School Plays	-	2,010	1,283	727
Shellsburg Fundraisers	-	33	33	-
Vinton Popcorn Fundraiser	-	4,515	3,995	520
Less: Intrafund Transfers	-	-	-	-
Total	\$ 293,768	\$ 488,644	\$ 496,783	\$ 285,629

See accompanying independent auditor's report.

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VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

	Modified Accrual Basis Years Ended June 30,			
	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 8,662,673	\$ 8,310,819	\$ 7,814,753	\$ 6,988,370
Tuition	401,864	278,580	303,757	316,278
Other	737,324	644,390	671,882	598,625
Intermediate sources	0			
State sources	9,512,111	10,094,266	10,192,095	8,532,347
Federal sources	856,988	814,966	1,119,403	1,541,350
Total revenues	<u>\$ 20,170,960</u>	<u>\$ 20,143,021</u>	<u>\$ 20,101,890</u>	<u>\$ 17,976,970</u>
Expenditures:				
Instruction	\$ 12,029,729	\$ 11,718,329	\$ 11,885,681	\$ 12,192,285
Regular instruction				
Special instruction				
Other instruction				
Support services:				
Student	602,025	539,945	439,994	322,312
Instructional staff	1,180,795	1,048,773	717,829	504,834
Administration	1,365,467	1,267,861	1,279,293	1,232,619
Operation and maintenance of plant	1,315,453	1,195,891	1,210,897	1,121,282
Transportation	571,837	657,087	590,961	640,894
Other expenditures:				
Facilities acquisition	292,440	736,198	338,127	242,563
Long-term debt:				
Principal	690,000	660,000	635,000	610,000
Interest and fiscal charges	655,038	510,688	536,913	562,100
AEA flowthrough	658,191	661,699	736,988	709,635
Total expenditures	<u>\$ 19,360,975</u>	<u>\$ 18,996,471</u>	<u>\$ 18,371,683</u>	<u>\$ 18,138,524</u>

See accompanying independent auditor's report.

	2009	2008	2007	2006	2005
\$	6,728,229	\$ 6,407,663	\$ 6,402,129	\$ 6,136,279	\$ 5,675,042
	320,875	361,532	324,784	393,121	545,115
	858,279	925,172	1,378,600	1,179,174	862,442
	9,896,558	9,854,962	9,260,071	8,991,721	8,567,943
	589,348	557,670	768,620	550,651	329,771
\$	<u>18,393,289</u>	<u>18,106,999</u>	<u>18,134,204</u>	<u>17,250,946</u>	<u>15,980,313</u>
\$	11,800,596	\$ 11,120,276	\$ 10,427,532	\$ 9,933,530	\$ 9,865,744
	465,574	449,179	418,421	479,765	498,943
	597,660	572,423	614,661	617,870	626,718
	1,370,879	1,429,175	1,452,973	1,370,228	1,282,431
	1,137,812	1,183,416	1,079,024	1,122,833	999,074
	665,334	554,570	476,995	547,388	479,282
	271,861	3,219,495	9,729,098	4,650,153	779,725
	595,000	570,000	700,000	570,000	349,192
	586,688	609,750	638,158	759,328	44,840
	663,597	630,193	601,807	577,210	555,219
\$	<u>18,155,001</u>	<u>20,338,477</u>	<u>26,138,669</u>	<u>20,628,305</u>	<u>15,481,168</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Health and Human Services:			
Drug-Free communities Support Program Grants	93.276	FY 13	\$ <u>105,593</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 13	54,026
National School Lunch Program	10.555	FY 13	<u>299,915</u> *
			<u>353,941</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	6660G12	15,906
Title I Grants to Local Educational Agencies	84.010	6660G13	219,279
Title I Grants to Local Educational Agencies	84.010	SINA	<u>18,043</u>
			<u>253,228</u>
Special Education Grants to States	84.027	FY 13	<u>4,000</u> **
Reading First State Grants	84.357	FY 12	<u>9,727</u>
Improving Teacher Quality State Grants	84.367	FY 13	<u>68,672</u>
Grants for State Assessments and Related Activities	84.369	FY 13	<u>10,355</u>
Education Jobs Fund	84.410	FY 11	189,475
Education Jobs Fund	84.410	FY 12	<u>5,486</u>
			<u>194,961</u>
Grant Wood Area Education Agency:			
Special Education - Grants to States	84.027	FY 13	<u>86,995</u> **
Career and Technical Education	84.048	FY 13	<u>12,891</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Centers for Disease Control and			
Prevention - Investigations and Technical Assistance	93.283	FY 12	<u>7,322</u>
Total Indirect			<u>1,002,092</u>
Total			<u>\$ 1,107,685</u>

* = Includes \$40,978 of non-cash contributions.

** = Total expended for CFDA number 84.027 = \$90,995

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Vinton-Shellsburg Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Vinton-Shellsburg Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Vinton-Shellsburg Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vinton-Shellsburg Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vinton-Shellsburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Vinton-Shellsburg Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vinton-Shellsburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Vinton-Shellsburg Community School District's Responses to Findings

Vinton-Shellsburg Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Vinton-Shellsburg Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Vinton-Shellsburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
October 22, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Education of
Vinton-Shellsburg Community School District:

Report on Compliance for Each Major Federal Program

We have audited Vinton-Shellsburg Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. Vinton-Shellsburg Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Vinton-Shellsburg Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vinton-Shellsburg Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Vinton-Shellsburg Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Vinton-Shellsburg Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Vinton-Shellsburg Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Vinton-Shellsburg Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal

program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vinton-Shellsburg Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Vinton-Shellsburg Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Vinton-Shellsburg Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Vinton-Shellsburg Community School District as of and for the year ended June 30, 2013, and have issued our report dated October 22, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Oskaloosa, Iowa
October 22, 2013

Hunt & Associates, P.C.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Vinton-Shellsburg Community School District did not qualify as a low-risk auditee.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-13 Financial Reporting – During the audit, we identified material amounts of receivables and year end adjusting entries, including depreciation expense adjustments for the Proprietary, School Nutrition Fund, necessary to balance the District’s annual chart of accounts upload to the Iowa Department of Education, not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables and other necessary year end adjustments are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any such amounts and adjustments.

Conclusion – Response accepted.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted.
- IV-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-13 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-13 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Robert Levis, Board Member	Coach	\$2,461
Nancy Levis, Spouse of Board Member Robert Levis	Teacher associate	\$6,660
Denise Wiley, spouse of former Board Member Todd Wiley	Teacher associate	\$11,466
David Gates, spouse of Board President Sue Gates	Bus driver	\$11,700
Sue Gates, Board President	Contest judge	\$125

In accordance with Chapter 279.7A of the Code of Iowa, except for the contracts with the spouses of Board President Gates and former Board Member Wiley, the above transactions do not appear to represent conflicts of interest since the cumulative amount was less than \$2,500 for the fiscal year for each person. The contracts with the spouses of the Board Members do not represent conflicts of interest based on an attorney general’s opinion dated October, 1976.

- IV-E-13 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-G-13 Certified Enrollment – We noted that the enrollment data certified to the Department of Education excluded five individuals who were omitted from the original submission for the year ended June 30, 2013.

Recommendation – The District should contact the Department of Education and the Department of Management to report the five additional students not originally claimed.

Response – This was an oversight on our part when collating the information used in the difficult enrollment certification process. We will contact the necessary departments to report this error.

Conclusion – Response accepted.

- IV-H-13 Supplementary Weighting – We noted a variance regarding the supplementary weighting certified to the Iowa Department of Education. Supplementary weighting was overstated by .09 students.

Recommendation – The District should contact the Iowa Department of Education and Iowa Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and Iowa Department of Management to resolve this matter.

Conclusion – Response accepted.

- IV-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

- IV-J-13 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

- IV-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-L-13 Statewide Sales and Services Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	2,012,628	
Revenues:				
Sales tax revenues	\$	755,903		
Interest		30		
Other local revenues		1,295		
School infrastructure supplemental amount		<u>668,528</u>	1,425,756	
Expenditures/transfers out:				
Equipment		72,813		
Transfers to other funds:				
Debt Service Fund		750,000		
Other transfers		<u>480,000</u>	<u>1,302,813</u>	
Ending balance			\$	<u><u>2,135,571</u></u>

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.77279	\$ 750,000